

Case No.: 2005-00174
Questions From: Public Service Commission – October 7, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II

INFORMATION REQUEST NO. 15.

State whether Mr. McKinley agrees that when using a forecasted test period, the reliability and accuracy of HWEA's budgeting and forecasting processes are critical factors in obtaining reasonable rates that reflect the actual cost of service.

RESPONSE:

It is reasonable to agree that the reliability and accuracy of a utility's budgeting and forecasting processes are significant factors in obtaining the appropriate revenue requirements for a proposed test year.

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INFORMATION REQUEST NO. 16.

State whether Mr. McKinley agrees that a critical assumption upon which HWEA's Cost-of-Service Study is based is that HWEA's and Black and Veatch's budgeting and forecasting processes are reliable and accurate.

RESPONSE:

The processes used to project revenue and revenue requirements in the B&V Report are important in determining the test year cost of service.

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INFORMATION REQUEST NO. 17.

State whether Mr. McKinley reviewed the reliability and accuracy of HWEA's budgeting process. If Mr. McKinley has conducted such review, describe the nature of Mr. McKinley's review.

RESPONSE:

The FY 2005 operating budget was compared to historical operating expenses and was regarded as reasonable.

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INFORMATION REQUEST NO. 18.

At page 3 in this Direct Testimony, Mr. McKinley states that HWEA used the 5 years of historical data and the operating budgeting for the fiscal year ending June 30, 2005 to project revenues and expenses for fiscal years 2005 through 2009.

a. Provide all analyses and studies on the reasonableness and accuracy of the methodology that HWEA used to develop its forecast for its fiscal year ending June 30, 2006 financial statements.

RESPONSE:

Please see HWEA's Response to Commission Information Request No. 3.a. which Response included the workpapers and schedules used to develop the cash flow for the FY 2005-2009 study period. In addition, please see HWEA's Response to Commission Second Information Request No. 1 which provides an Excel File of the B&V Report.

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INFORMATION REQUEST NO. 18.

At page 3 in this Direct Testimony, Mr. McKinley states that HWEA used the 5 years of historical data and the operating budgeting for the fiscal year ending June 30, 2005 to project revenues and expenses for fiscal years 2005 through 2009.

b. Provide a comparison of HWEA's operating budget for fiscal year ending June 2005 with the Cost-of-Service Study forecast of the same period.

RESPONSE:

The projected operating expenses for FY 2005, as shown in Table 6 of the B&V Report, are identical to HWEA's operating budget for FY 2005.

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INFORMATION REQUEST NO. 19.

Refer to HWEA's General Ledger for the Fiscal Year ending June 30, 2004. For each item listed in Schedule 1 of this Information Request, provide a complete description of the expenditure and all supporting invoices.

RESPONSE:

Schedule 1 has been completed as requested and is attached hereto as Exhibit No. 19. However there was not sufficient space to explain each entry on Schedule 1. A more complete description of each entry is provided below.

Trevecca Nazarene University (\$2,334): This is partial payment of tuition for education and training for HWEA's Human Resource Director – Melissa Farmer.

Frost, Brown, Todd LLC (\$880): Legal fees for representing HWEA in a Union arbitration and labor matter.

Deatherage Myers Self and Lackey (\$1,777.08): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,046.04): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$2,050.97): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,359.05): Monthly legal fees from HWEA's attorney.

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Deatherage Myers Self and Lackey (\$1,269.51): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$768.30): Monthly legal fees from HWEA's attorney.

York Neel & Co. – Hopkinsville (\$8,925) Fees for completing the fiscal year audit.

Deatherage Myers Self and Lackey (\$860.58): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,134.93): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$2,478.12): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,472.88): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,127.63): Monthly legal fees from HWEA's attorney.

Deatherage Myers Self and Lackey (\$1,046.58): Monthly legal fees from HWEA's attorney.

Chemical Feed Systems, Inc. (\$2,222.68): Repaired the caustic soda feed pump, the fluoride feed pump and carbon feed pump at the Moss WTP.

Chemical Feed Systems, Inc. (\$1,926.42): Performed repairs and servicing of the booster station and chlorine booster station on Pembroke Road.

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Morton Mechanical (\$1,025.80): Repairs to the boiler at the Moss WTP.

D&D Control Specialist (\$1,463): This entry was voided later in the General Ledger. It was assigned a water account number and should have been assigned a wastewater account number. The correcting entry was included in the general ledger CD submitted to the Commission.

D&D Control Specialist (\$1,463): Repaired the transmitter at the Industrial Park Elevated Storage Tank.

D&D Control Specialist (\$1,476): Repaired the telemetry system and transmitter at the Industrial Park Elevated Storage Tank, including several trips to calibrate the telemetry system.

D&D Control Specialist (\$838): Performed annual inspection and adjustments to the flow sensing devices at the river and quarry intakes and the high service pumps. Also they installed a new flow sensing device on Filter #1 at the Moss WTP.

D&D Control Specialist (\$1,563): Replaced the Foxboro transmitter at the Moss WTP with a new transmitter and calibrated the new unit.

D&D Control Specialist (\$938): Replaced the level transmitter at the Sanderson Drive Elevated Storage Tank.

Holland Electric Company (\$1,160.68): The electricians repaired the river raw water pumping heaters and repaired lighting fixtures at the Moss WTP.

C.I. Thornburg Co., Inc. (\$1,529.92): 20 feet of 18” diameter ductile iron water main pipe and a 45% mechanical joint bend.

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McCraw Excavating (\$2,400): This was to rent a trackhole for the repair of a sewer on Old Clarksville Pike. This expense should not have been applied to the water account.

Isco Industries LLC (\$2,672.50): Rental of machine to repair fusible HDPE pressure pipe.

Isco Industries LLC (\$1,067.59): 20" HDPE AWWA DR 17 pressure pipe.

E*Vac (\$1,650): This invoice was voided two lines later in the general ledger.

Copies of the applicable invoices, except for invoices from counsel which are protected by the attorney-client privilege, are attached hereto as part of Exhibit No. 19.

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INFORMATION REQUEST NO. 20.

For each listed operating expense account, state whether any of the account has been allocated to Christian Water. If any of the account has been allocated to Christian Water, state the amount that has been allocated and explain why.

- a. Account No. 7090 – Repairs to Services.

RESPONSE:

The projected expenses for Repairs to Services, Repairs to Meters and Meter Reader Salaries were allocated to Meter Reading & Billing which was assigned to retail customers only.

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INFORMATION REQUEST NO. 20.

For each listed operating expense account, state whether any of the account has been allocated to Christian Water. If any of the account has been allocated to Christian Water, state the amount that has been allocated and explain why.

- b. Account No. 7100 – Repairs to Meters.

RESPONSE:

Please see HWEA's Response to Commission Second Information Request No. 20.a.

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INFORMATION REQUEST NO. 20.

For each listed operating expense account, state whether any of the account has been allocated to Christian Water. If any of the account has been allocated to Christian Water, state the amount that has been allocated and explain why.

- c. Account No. 8030 – Meter Reader Salaries.

RESPONSE:

Please see HWEA's Response to Commission Second Information Request No. 20.a.

EXHIBITS

- Exhibit No. 1. CD containing Excel File used in the *Report on Revenue Requirements, Costs of Service and Rates for Water Service* prepared for Hopkinsville Water Environment Authority (“HWEA”) by Black & Veatch and all correspondence between HWEA and Black & Veatch regarding the preparation or review of the B&V Report
- Exhibit No. 3 Individual documents labeled as Attachments 3-1, 3-2, and 3-3
- Exhibit No. 12. a. Spreadsheets labeled as Attachments 12-1 and 12-1
- Exhibit No. 19 Schedule 1 to HWEA’s General Ledger for the Fiscal Year ending June 30, 2004 and documents labeled as Attachment 19

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